

Labor Turnover

Rates for
Utah

A firm can compare turnover experiences to find out if their employee policies differ from others within the industry.

LED, or Local Employment Dynamics, is a new tool to describe the labor market. LED has many uses and, in many cases, is the sole source for important information about jobs and industries and their interaction. One aspect or dimension of LED that employers have tried to get a handle on is "turnover." LED provides the data to determine critical measures important to employers, namely the oft-illusionary measure of the hiring and separating of employees.

Why is Turnover Important?

From a business perspective, hires and separations from the firm's workforce indicate the success of the business's policies of employee retention. Since payroll is typically one, if not the, largest component of the costs of doing business, the level of employee turnover can have a big impact upon the costs of recruiting, hiring, and training workers. If the LED turnover data can give an indicator of the average turnover rate for the industry and/or area, a firm can compare their experience with the industry, to see if employee policies (pay, benefits, etc.) differ from those of their industry. It's all about the costs of doing business and being competitive in the market.

Turnover Rates by Industry

Although LED will provide age and gender characteristics of workers (within the context of turnover), we are going to deal with basic turnover by industry. First of all, what is the definition of turnover? In LED lingo it's about accessions, separations, and total employment. The turnover rate is calculated

by dividing the average of accessions (hires) plus separations, by total stable employment.

The graph shows turnover rates for the most recent quarter of information available, third quarter (July, August, and September) of 2005. The turnover rate, expressed as a ratio or percent, for Utah was 12.5 percent. Roughly speaking, that means that the average number of workers hired and separated was 12.5 percent of the total employment. Some industries in the throes of a hiring frenzy, or laying off will have higher ratios. The graph ranks the major industry sectors in Utah by their turnover rates. Utilities experienced the lowest of rates with 3.6 percent, and the administrative support and waste management services industry was the highest with a rate of 22.9 percent.

Remember the state average was 12.5 percent. If you think about the nature of each of the industries in the chart, you would expect stable industries, like utilities, government and manufacturing, to have lower rates. On the other hand, rates will be higher in industries that have high growth, or volatility, or volume of employment, like construction and retail trade.

LED has much more data available on turnover and other labor market data. This new source of characteristic information is indeed a mother lode of yet unmined knowledge about Utah's economy. ⓘ

For a link to the LED internet site see
<http://lehd.dsd.census.gov/led/index.html>

20%

Turnover Rates

by Major Industry Sector
Third Quarter 2005

15%

10%

5%

Utilities
Public Administration
Educational Services
Wholesale Trade
Management of Companies
Manufacturing
Healthcare
Finance & Insurance
Mining
Information
Professional & Business Services
STATE AVERAGE*
Real Estate & Rental & Leasing
Retail Trade
Transportation & Warehousing
Other Services
Construction
Agriculture
Arts, Entertainment & Recreation
Accommodation & Food Services
Admin & Support & Waste Mgt. Serv.

*High turnover
rate? LED data
may be able to
help.*